

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0648-10  
Bill No.: Truly Agreed to and Finally Passed SS for SCS for HCS for HB 209  
Subject: Business and Commerce; Cities, Towns, and Villages; Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue – Sales and Use  
Type: Original  
Date: May 18, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials with the **Department of Economic Development – Public Service Commission, Department of Economic Development – Office of Public Counsel, and Office of State Courts Administrator** assume this proposal would have no fiscal impact on their agencies.

Officials with the **Department of Revenue (DOR)** assume this proposal would require DOR to publish a list of municipalities which have enacted the business license tax. DOR assumes it could maintain such a listing on its internet site.

This legislation would require Taxation to maintain a separate system for tracking and maintenance of the new tax, Taxation would require 6,228 programming hours resulting in a cost of \$207,766.

Multiple locations would require the taxpayer to use a long form return, for reporting purposes, causing Taxation to manually key the returns. Due to the manual process of the returns, Taxation would require three Tax Processing Technicians I (1 – Pre-edit, 1- Data Entry, and 1 – Error Corrections). The number of FTE may need to be increased, depending on the volume of customers affected.

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ASSUMPTION (continued)

**Oversight** assumes that collection fees paid to DOR for this tax would offset additional costs brought about by this proposal.

Officials with the **State Auditor's Office** assume the requirements imposed by this legislation to resolve inconsistencies or disputes arising from the information provided by municipalities and telecommunications companies could require three additional Staff Auditor I's to be hired.

**Oversight** assumes that any additional workload creating this proposal could be absorbed by existing personnel.

In response to a previous version of this proposal (FN #0648-06/SCS for HCS for HB 209), officials from the **Office of Secretary of State (SOS)** assumed the proposal may result in the Department of Revenue rescinding, amending, or promulgating rules to implement the provisions of this act. These rules would be published in the Missouri Register and the Code of State Regulations. These rules could require as many as 10 pages in the Code of State Regulations and half again as many pages in the Missouri Register, as cost statements, fiscal notes, and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23 and the estimated cost of a page in the Code of State Regulations is \$27. Based on these costs, the estimated cost of the proposal is \$615 in FY 06 and unknown in subsequent years. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which would require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials with the **City of Springfield** assume a potential loss of approximately \$1 million in revenue per year as a result of this proposal. Officials further assume the amount of damages which could be recovered from a pending lawsuit against certain telecommunications companies could be significantly reduced. **Oversight** assumes that any potential revenue gains or losses contingent upon the outcome or disposition of pending litigation—of which the outcome is unknown—is speculative.

Officials with the **City of Fulton** assume this proposal could result in a significant negative fiscal impact on their city.

ASSUMPTION (continued)

In response to a previous version of this proposal (LR #0648-08), officials with the **City of North Kansas City**, assumed potential negative fiscal impact stemming from the 1% collection fee imposed by DOR for the collection of business license fees.

In response to a previous version of this proposal (FN #0648-06/SCS for HCS for HB 209), officials with the **City of West Plains** assumed the proposal could result in a negative fiscal impact on their city.

In response to a previous version of this proposal (FN #0648-06/SCS for HCS for HB 209), officials with the **City of Jefferson City and St. Louis County** assumed significant negative fiscal impact as a result of the proposal, as it would affect pending lawsuits seeking significant monetary awards from cellular telephone companies. Jefferson City officials assumed potential revenue losses of \$75,000 per year. St. Louis County officials assumed a potential revenue gain of \$2.5 million annually as a result of the taxation of cellular and long-distance telephone service beginning in FY07. **Oversight** assumes that any potential revenue gains or losses from the continuation or dismissal of pending litigation—of which the outcome is unknown—is speculative.

In response to a previous version of this proposal (FN #0648-04/HCS for HB 204 without amendments), officials with the **City of Columbia, City of Raytown, and City of St. Louis** assumed their municipalities could lose significant revenues as a result of business license tax modifications outlined in this proposal. **Oversight** acknowledges the likelihood of such revenues and also the cost of paying DOR to collect reformulated taxes. **Oversight** cannot estimate the statewide fiscal impact upon municipalities as a result of this tax, given the changing nature of telecommunication usage and evolving technology.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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Municipalities – Simplified

Telecommunications Business License  
Tax

\$0

Unknown to  
(Unknown)

Unknown to  
(Unknown)

FISCAL IMPACT - Small Business

Small businesses could pay higher telecommunications costs as a result of the taxes contained in this proposal.

DESCRIPTION

This legislation authorizes the simplified municipal telecommunications business license tax and adds provisions stipulating a process for the relocation of utility infrastructure near highway construction projects..

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
State Auditor's Office  
Department of Economic Development  
    Public Service Commission  
    Office of Public Counsel  
Office of Secretary of State  
Office of State Courts Administrator  
City of Columbia  
City of Fulton  
City of Jefferson City  
City of North Kansas City  
City of Raytown  
City of Springfield  
City of St. Louis  
City of West Plains  
St. Louis County



Mickey Wilson, CPA  
Director  
May 18, 2005